

DEPARTMENT OF FINANCIAL INSTITUTIONS
MINUTES OF MEETING
SEPTEMBER 8, 2005

The Members of the Department of Financial Institutions met at 9:00 a.m., EST, at 30 South Meridian Street, Suite 300, Indianapolis, Indiana. Attending the meeting from the Department were: Judith G. Ripley, Director; J. Philip Goddard, Deputy Director, Chief Counsel and Secretary; James M. Cooper, Deputy Director; Kirk J. Schreiber, Senior Bank Analyst; Gina R. Williams, Supervisor, Administration Division; Chuck T. Stumpf, Deputy Director, Administration Division; Mark Tarpey, Supervisor, Consumer Credit Division; Mark Powell, Supervisor, Credit Union Division; John Schroeder, Deputy Director Non-Depository Division and Associate Counsel and Ronda Bailey, Administrative Assistant. Guest were: John Tanselle, from the Law firm of Krieg DeVault LLP, representing Peoples State Bank of Francesville, Indiana and Mark Barnes from the Law firm of Ice Miller, representing the First State Bank, Southwest Indiana, Tell City, Indiana. Also attending the meeting was Michael R. Brown, Vice President of Executive Media.

I. PUBLIC SESSION:

- A.) **Members Present.** David Bochnowski, Chairman; Joseph Pierce, Vice Chairman, Michael Davis, Paul Sweeney, Richard Rice and Travis Holdman.
- B.) **Approval of the minutes of the meeting held on August 11, 2005.** Chairman Bochnowski entertained a motion to approve the minutes for August 11, 2005 meeting. Mr. Rice moved approval of the minutes; Mr. Sweeney seconded the motion, and the motion passed unanimously.
- C.) **Date of next meeting.** October 13, 2005 @ 9:00 a.m., at the Indiana Department of Financial Institutions, 30 South Meridian Street, Suite 300, Indianapolis, Indiana.

D.) DIVISION OF BANK AND TRUST COMPANIES:

1. Peoples State Bank of Francesville, Francesville, Pulaski County, Indiana

Mr. Kirk Schreiber, Senior Bank Analyst presented the application. Mr. Schreiber introduced John Tanselle, Attorney for Krieg DeVault LLP representing the applicant.

Mr. Schreiber informed the Members that Peoples State Bank of Francesville ("Peoples State Bank") has filed an application for approval to merge with the State Bank of Oxford pursuant to IC 28-1-7. The two banks entered into an Agreement and Plan of Reorganization on June 15, 2005. Peoples State Bank will survive the merger. The name of the resulting institution will be Alliance Bank.

Immediately prior to the merger Peoples State Bank's holding company PSB Bancorp ("PSB") will directly acquire State Bank of Oxford's holding company Oxford Bank Corporation. Oxford Bank Corporation will merge into PSB with PSB surviving the holding company merger and continuing under the changed name of Alliance Bancorp.

Thus, both Peoples State Bank and State Bank of Oxford will be 100% owned by Alliance Bancorp at the time of the bank merger. As a result of the merger State Bank of Oxford's main office and branches will become branches of Alliance Bank.

On a proforma basis as of June 30, the resulting bank will have total assets of \$214 million and an adequate tier one capital ratio of 8.24%. The three year average return on assets for Peoples State Bank is 1.13% and the three year average ROA for State Bank of Oxford is 0.84%. On a proforma basis land and buildings represents 23.56% of sound capital. The investment in total fixed assets represents 16.67% of total capital.

PSB Bancorp and Oxford Bank Corporation both received satisfactory BOPEC ratings from the Federal Reserve Bank of Chicago as a result of their most recent bank holding company inspections. Both Peoples State Bank and State Bank of Oxford received satisfactory CAMELS and CRA ratings at their most recent examinations.

With respect to management of the resultant bank five of the eight directors from Peoples State Bank and four of the eight directors from the State Bank of Oxford will form the board of directors of Alliance Bank. Norman Witt Chairman of the Board of Peoples State Bank will be Chairman of the Board of resultant bank. Roger Cummings, President and CEO of Peoples State Bank will serve as President and CEO of Alliance Bank. Ralph Widner, President and CEO of State Bank of Oxford will serve as Executive Vice President and Chief Operating Officer. Terry Stevens, Executive Vice President of Peoples State Bank will serve as Executive Vice President and Chief Financial Officer. All other employees of Peoples State Bank and State Bank of Oxford will be offered employment with resultant bank.

The Federal Deposit Insurance Corporation is expected to approve the merger application in September 2005.

The staff therefore recommended approval of the State Bank of Oxford to merge with and into Peoples State Bank.

A motion for approval of the application was made by Mr. Pierce and seconded by Mr. Holdman. The application was unanimously approved.

2. First State Bank, Southwest Indiana, Tell City, Perry County, Indiana

Mr. Kirk Schreiber, Senior Bank Analyst presented the application. Mr. Schreiber introduced Mark Barnes, Attorney for Ice Miller representing the applicant.

Mr. Schreiber informed the Members that First State Bank, Southwest Indiana, Tell City ("First State Bank") has filed an application for approval to merge with Peoples Community Bank, Tell City ("Peoples") a federal stock savings bank pursuant to IC 28-1-7. The two banks entered into an Agreement and Plan of Reorganization on May 23, 2005. First State Bank will survive the merger.

Immediately prior to the merger First State Bank's holding company German American Bancorp, Jasper, Indiana will directly acquire People's holding company PCB Holding Company. Thus, both First State Bank and Peoples will be 100% owned by German American Bancorp at the time of the bank merger.

As a result of the merger Peoples main office and branches will become branches of First State Bank. On a proforma basis as of March 31, the resulting bank will have total assets of \$119 million and an adequate tier one capital ratio of 9.44%. On a proforma basis land and buildings represents 33.59% of sound capital. The investment in total fixed assets represents 27.07% of total capital.

German American Bancorp received a satisfactory BOPEC rating from the Federal Reserve Bank of Chicago as a result of its most recent bank holding company inspection. PCB Holding Company received a satisfactory holding company rating from the Office of Thrift Supervision at their most recent examination. Both First State Bank and Peoples received satisfactory CAMELS and CRA ratings at their most recent examinations.

With respect to management of the resultant bank, three of the six directors from Peoples will join the board of directors of First State Bank to form the board of directors. Clay Ewing, Chairman of the Board of First State Bank, will remain Chairman of the Board. Neil Dauby, President and CEO of First State Bank will serve as President and CEO. Carl Smith, President and CEO of Peoples will serve as Executive Vice President. All other officers and employees of Peoples will be absorbed into the management team of the resulting bank.

The Federal Deposit Insurance Corporation approved this application on August 31, 2005.

The staff therefore recommended approval of Peoples Community Bank to merge with and into First state Bank, Southwest Indiana.

A motion for approval of the application was made by Mr. Holdman and seconded by Mr. Sweeney. The application was unanimously approved.

E.) CONSUMER CREDIT DIVISION:

1. Division Supervisor Mark Tarpey provided the Members with an informational update on certain aspects of strategic planning for the non-depository division.

Mr. Tarpey advised that a committee of field examiners and field supervisors had provided input on new procedures for new auto dealers to implement in terms of required record keeping for credit insurance and Guaranteed Auto Protection (GAP).

Some dealers records are not in an acceptable format and require extensive manual review of accounts that have been prepaid that have credit insurance and/or GAP. This new procedure will establish an Excel file or use of the auto dealer's in house software to maintain records of credit insurance and GAP.

There are 503 new car dealers filed with DFI. In 2004, there were 176 exams resulting in refundable errors totaling \$734,954. There were 383 exam days used for these new auto dealer exams. Staff is hopeful that new record keeping requirements once fully implemented may save 30% or more on exam time.

Mr. Tarpey advised that the staff is also looking at examination procedures of out of state loan licensees. The majority of loan licenses issued are to out-of-state entities that use local title companies, attorneys or signing services to close the second mortgage loans for them in Indiana. A number of these entities do not have sufficient volume to justify an on-site visit at time of exam. Licensee is permitted to send selected records to DFI for examination. Some licensees are not as responsive as need be in providing records. We are looking at improved methods of encouraging prompt compliance.

F.) Director Ripley advised the Members of actions taken pursuant to delegated authority.

1. **COMMUNITY FIRST BANK OF HOWARD COUNTY, KOKOMO, HOWARD COUNTY, INDIANA**

The bank has applied to the Department for approval to establish a branch office to be located at **2101 South Dixon Road, Kokomo, Howard County, Indiana**. The application was received on August 17, 2005. The branch is to be known as **Dixon Road Branch**. The proposed branch is a 4,100 square foot, one story, newly constructed branch banking facility. The applicant has purchased 1.25 acres of land consisting of three separate residential properties all from independent third parties for a total of \$440M. The estimated cost for constructing the branch is \$850M. Furniture, fixtures, and equipment costs are projected at \$185M. No relationship exists between the parties involved in this transaction. As of June 30, 2005, the bank's ROA was 0.65% and its Tier 1 leverage capital ratio was 14.84%. The investment in total fixed assets to total capital will increase from 1.96% to 13.34% after the establishment of this branch. This will be the institution's first branch. **This was approved by the Director on August 26, 2005, under delegated authority.**

2. **BLOOMFIELD STATE BANK, BLOOMFIELD, GREENE COUNTY, INDIANA**

The bank has applied to the Department for approval to establish a branch office to be located at **2209 Central Avenue, Columbus, Bartholomew County, Indiana**. The application was received on August 9, 2005. The branch is to be known as **Columbus Banking Center**. The proposed branch is a 2,400 square foot existing commercial building. The applicant is leasing the space from an independent third party for three years with an annual rental of \$21.6M. It is estimated that there will be \$7.5M worth of leasehold improvements. Furniture, fixtures, and equipment costs are projected at \$40M. No relationship exists between the parties involved in this transaction. The bank's three-

year average ROA is 0.93%. As of June 30, 2005, the bank's ROA was 1.02% and its Tier 1 leverage capital ratio was 9.07%. The investment in total fixed assets to total capital will increase from 16.92% to 17.06% after the establishment of this branch. This will be the institution's twelfth branch. **This was approved by the Director on August 26, 2005, under delegated authority.**

3. TEACHERS CREDIT UNION, SOUTH BEND, ST. JOSEPH COUNTY, INDIANA

The credit union has filed a request for approval of a Petition for approval of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership.) This amendment placed the following organizations into the field of membership of the credit union:

Coldwell Banker R.E. Specialist – Niles, MI – 25 members (common bond of occupation as defined by 28-7-1-10).

Medic Choice Services, Inc. – Niles, MI – 4 members (common bond of occupation as defined by 28-7-1-10). **This was approved by the Director on August 22, 2005, under delegated authority.**

4. DEKALB FINANCIAL CREDIT UNION, AUBURN, DEKALB COUNTY, INDIANA

The credit union has filed a request for approval of a Petition for approval of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership.) This amendment placed persons who reside or are employed within the following communities into the field of membership of the credit union:

Steuben County, Indiana (common bond of community residence or employment within a community as defined by 28-7-1-10). **The Director approved this on August 23, 2005, under delegated authority.**

Other Business. Chairman Bochnowski asked if there was other business. There being no further business, Chairman Bochnowski adjourned the meeting.

APPROVED:

ATTEST:

David A. Bochnowski, Chairman

J. Philip Goddard, Secretary